Supreme Court, U.S.
FILED
JUL 3 - 2005
OFFICE OF THE CLERK

No. 04-1350

IN THE

Supreme Court of the United States

KSR INTERNATIONAL CO.,

Petitioner,

—against—

TELEFLEX INC. and
TECHNOLOGY HOLDING CO.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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CORPORATE DISCLOSURE STATEMENT

Petitioner's corporate disclosure statement was set forth at page *ii* of its Petition for a Writ of Certiorari, and there are no amendments to that statement.

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Statement of Computer & Communications Industry Association on Patent Law Reform 3 (June 14, 2005) at http://ccianet.org/papers/senate_patent_testimony_june_2005.pdf 2

Five major U.S. corporations (Cisco Systems Inc., Microsoft Corp., Hallmark Cards, Inc., V.F. Corp., and Fortune Brands, Inc.) whose products range from network equipment to software to greeting cards to golf clubs to brassieres, and which collectively own thousands of patents, have all urged this Court to grant certiorari in this case, because: "the Federal Circuit's current interpretation of 35 U.S.C. § 103(a) hurts innovation by providing too lenient a standard for obtaining a patent." Corporate Br. at 3.

Twenty-four (24) law professors have similarly urged this Court to grant certiorari in this case, because: "This case provides the Court with an opportunity to overturn the Federal Circuit's much-criticized current approach to non-obviousness, which is at odds with the statutory language, inconsistent with this Court's precedent, and contrary to the goals of the patent system." Law Prof. Br. at 2.

A non-profit research and educational institution, The Progress and Freedom Foundation (PFF), has also urged this Court to grant certiorari in this case, because: "the Federal Circuit's over-lenient application of the criterion that an invention be nonobvious . . . establishes a one-way ratchet in favor of a patent grant. The resulting flood of trivial patents retards innovation and competition [and] undermines the legitimacy of the patent system as a whole." PFF Br. at 2-4.

The amici supporting Petitioner join a chorus of patent law scholars and casebook authors who view the Federal Circuit as having "repudiated", "ignored", "abolished", or "dismiss[ed]" this Court's precedents construing 35 U.S.C. § 103(a). KSR Pet. for Cert. at 18-20. Two recent studies by the Federal Trade Commission (2003) and the National Academies (2004) have similarly criticized the Federal Circuit's radical re-interpretation § 103(a) since 1982. *See id.* at 24-27.

All of the amici further note that this particular case is "an excellent vehicle" (Corporate Br. at 3, 16-17), "a particularly attractive vehicle" (PFF Br. at 17), and even "the perfect vehicle" (Law Prof. Br. at 18) for deciding whether the Federal Circuit has erred in holding that a claimed invention cannot be held 'obvious', and thus unpatentable under 35 U.S.C. § 103(a), in the absence of some proven "'teaching, suggestion, or motivation' that would have led a person of ordinary skill in the art to combine the relevant prior art teachings in the manner claimed." KSR Pet. for Cert. at i, 3, 9-11.

In opposing certiorari, Respondents make no mention of what they earlier called "the barriers that the Federal Circuit has erected to a finding of obviousness." KSR Pet. for Cert. at 7 (quoting Brief for Plaintiffs-Appellants filed March 8, 2004)). Respondents similarly ignore the views expressed by (a) the amici supporting Petitioner; (b) the patent law scholars and casebook authors cited by Petitioner (KSR Pet. for Cert. at 18-20); and (c) the 2003 FTC and 2004 National Academies studies cited by Petitioner (*id.* at 24-27), all of which roundly criticize the exceptionally low standard of patentability that has resulted from the Federal Circuit's refusal to accept or abide this Court's precedents construing § 103(a) including *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976). *See* KSR Pet. for Cert. at 15-17. New sources of criticism of the Federal Circuit "teaching-suggestion-motivation test" continue to arise.[1]

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1. On June 14, 2005, the Computer & Communications Industry Association – a major technology trade association – testified before the Senate Subcommittee on Intellectual Property that "erosion of the [obviousness] standard under the Federal Circuit has been documented in many scholarly articles" and that "we hope that U.S. Supreme Court will grant certiorari in KSR v. Teleflex to address the Federal Circuit's departure from the Supreme Court's standard." Statement of Computer & Communications Industry Association on Patent Law Reform 3 (June 14, 2005) at http://ccianet.org/papers/senate_patent_testimony_june_2005.pdf

Respondents devote the bulk of their Brief in Opposition to arguments that the Federal Circuit supposedly did not, in this case, render any "significant interpretation or application of § 103" (Resp. Br. at 2), but merely enforced procedural rules governing "the handling and weighing of evidence on summary judgment" (Resp. Br. at i, 1-2, 17-20). But in vacating the District Court's judgment in this case (App. at 16a-17a), the Federal Circuit here clearly, explicitly, and undeniably applied that court's highly controversial "teaching-suggestion-motivation test." App. at 8a. The legitimacy of the decision below depends entirely on the legitimacy of the Federal Circuit's "steady, deliberate, and unwise departure from this Court's precedents." PFF Br. at 4. *See* Law Prof Br. at 5 ("numerous commentators have observed the inconsistency between the Federal Circuit's test and Supreme Court precedent"); Corporate Br. at 9 ("the Federal Circuit has essentially ignored this Court's precedent construing and applying Section 103(a)").

I. This Case Provides an Excellent Vehicle for Deciding the Question Presented.

As previously described (KSR Pet. for Cert. at 9-11), the Federal Circuit below vacated the District Court's judgment on the basis that: "the district court did not apply the correct teaching-suggestion-motivation test." App. at 8a. To leave no doubt as to the basis of its decision, the panel summarized its holding at the end of the opinion: "the correct standard requires a court to make *specific findings* showing a teaching, suggestion, or motivation to combine prior art teachings in *the particular manner claimed* by the patent at issue." *Id.* at 16a (emphasis added).

The legal standard applied by the Federal Circuit in this case – with its requirement of "*specific* findings showing a teaching, suggestion, or motivation to combine prior art teachings in the *particular* manner claimed by the patent at issue" *id.* (emphasis added) – is precisely the "focal point

of current debate." Federal Trade Commission, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, chap. 4, at 11 (Oct. 2003) ("FTC Report"). It is what the PTO Deputy Commissioner for Patent Examination Policy identified as so troubling - that the Federal Circuit was "insisting" on findings "connect[ing] the dots . . . very, very clearly." *Id.* It is what drew criticism from the FTC itself, which concluded that the Federal Circuit's rigid application of its suggestion test ignores the "common sense" ability to "connect[] some dots." *Id.* at 14. And it is precisely the point on which the Federal Circuit doctrine is in conflict with other circuit precedent and with the decisions of this Court.

Respondents are thus simply wrong in trying to characterize this case as merely one in which "the Federal Circuit determined that the District Court granted summary judgment in error as there were material issues of fact on obviousness." Resp. Br. at 18. In vacating the District Court's judgment in this case, Federal Circuit expressly held that Respondents' patent could not be held invalid under § 103(a) in the absence of "clear and convincing evidence" (App. at 14a n.4) supporting "*specific findings* showing a teaching, suggestion, or motivation to combine prior art teachings in *the particular manner claimed*." *Id.* at 16a (emphasis added). The Federal Circuit could demand such "evidence" and "specific findings" only because it was imposing its deeply flawed "teaching-suggestion-motivation test" as a condition for applying § 103(a) to claimed subject matter, in clear conflict with this Court's precedents and extensive regional circuit precedent. *See* KSR Pet. for Cert. at 12-20.[2]

2. Among the many difficulties with the legal standard applied below is the Federal Circuit's holding that a "*proven* 'teaching, suggestion, or motivation'" is a prerequisite to any claimed subject matter being held obvious under § 103(a). KSR Pet. for Cert. at i (emphasis added). According to the Federal Circuit, the invalidating legal effect of multiple prior art references is a question of "fact" that must be "proved" to the satisfaction of a fact finder, typically a jury. *E.g., McGinley v. Franklin Sports, Inc.*, 262 F.3d 1339, 1351 (Fed. Cir. 2002). Besides producing a "flood of trivial patents" (PFF Br. at 3), the Federal Circuit "teaching-suggestion-motivation test" erroneously "precludes (Cont'd)

Respondents also err in arguing that the case is "not ripe for review" because the Federal Circuit "did not determine whether the '565 patent was obvious or not." Resp. Br. at 2. As amici note, the importance of this case lies in the erroneous legal standard that the Federal Circuit clearly and unequivocally applied below. In such circumstances, certiorari to determine the correct legal standard is completely appropriate as exemplified by the most recent patent case in which certiorari was granted, *Illinois Tool Works Inc. v. Independent Ink, Inc., cert. granted*, 73 U.S.L.W. 3733 (June 19, 2005) (No. 04-1329), *op. below*, 396 F.3d 1342 (Fed. Cir. 2005).

In *Illinois Tool*, as in this case, the Federal Circuit reversed a district court's grant of summary judgment and ordered the case to be remanded for further fact-finding under a particular legal standard.[3] There, as here, the petitioner might possibly have prevailed on remand. There, as here, the petition for certiorari argued that the Federal Circuit's legal standard was incorrect, was in conflict with the law of other circuits, and had broad implications for the business community. There, as here, the petition was supported by multiple amicus briefs. The Court granted certiorari in that case; it should do the same here.

The appropriateness of certiorari in this case is also not diminished by Respondents' observation that, *in addition to* reliance on this Court's obviousness precedents in *Sakraida* and *Anderson's-Black* (Federal Circuit Brief for Defendant-Appellee

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(Cont'd)

courts from exercising their authority to decide ultimate questions of patent validity." Corporate Br. at 4; *see* KSR Pet. for Cert. at 11, 28-29; *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) ("the ultimate question of patent validity is one of law"). It also, and ironically, "defeats the objective of Congress in establishing the Federal Circuit to have it sit as an expert appellate court to decide patent law issues." Corporate Br. at 16.

3. The issue in *Illinois Tool* is whether a court should presume that a patent creates market power for purposes of Section 1 of the Sherman Act. The Federal Circuit held that market power should be presumed, and remanded the case to determine whether Illinois Tool could prove facts to overcome the presumption.

at 47-50; District Court Brief for KSR filed July 7, 2003, at 33-35, Jt. App. at 639-40), Petitioner *also* argued to both lower courts that Petitioner was entitled to prevail even under the Federal Circuit's extremely lax "teaching-suggestion-motivation test." Resp. Br. at 6-7 & n.5. Such arguments in the alternative are plainly permitted. Indeed, it would have been foolish for KSR to rely solely on Supreme Court precedents when the Federal Circuit has made it abundantly clear that it will not follow or even acknowledge the existence of those precedents – as the decision below well exemplifies.

Petitioner has also repeatedly recognized, both in this Court (KSR Pet. for Cert. at 3, 27-28) and in briefs filed below, that the "teaching-suggestion-motivation test" is "settled law" *in the Federal Circuit*. But as discussed in the Petition, the "settled" nature of this *circuit* law provides an additional reason to grant certiorari, because the Federal Circuit is not attempting to reconcile its law with the conflicting precedents of this Court and other circuit courts.

II. A Circuit Split Exists.

The Federal Circuit has, in its words, "specifically abrogated" what it called "a Fifth Circuit 'synergism' test for the patentability of combination inventions." *Allen Eng'g Corp. v. Bartel Indus., Inc.*, 299 F.3d 1336, 1356-57 (Fed. Cir. 2002). Respondents argue that *Allen Engineering* does not reflect any relevant circuit split, because the statement quoted above does not "cite to § 103." Resp. Br. at 23. But the "test for the patentability of combination inventions" referred to in *Allen Engineering*, 299 F.3d at 1356-57, is the same "test of validity of combination patents," *Sakraida*, 425 U.S. at 282 (quoting *Anderson's-Black*, 396 U.S. at 60), that this Court has repeatedly applied when determining if claimed subject matter is "obvious" for purposes of § 103, KSR Pet. for Cert. at 2 & n.2, 14-16, and that at least seven (7) regional circuits have similarly and consistently applied for many years. KSR Pet. for Cert. at 15 & n.5.

Respondents are also wrong in arguing that the existing, acknowledged circuit split is "irrelevant" because Congress

has centralized most patent jurisdiction in the Federal Circuit. Rep. Br. at 22. As earlier noted (KSR Pet. for Cert. at 23-24), this Court granted certiorari in *Pfaff v. Wells Elecs., Inc.* 525 U.S. 55 (1998), in part because the Federal Circuit in that case had diverged from how regional circuits had construed a section of the Patent Act prior to the Federal Circuit's creation in 1982. *Id.* at 60. That is exactly the case here. KSR Pet. for Cert. at 15 & n.5.

Similarly, in *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002), Justice Stevens voted to expand regional circuits' appellate jurisdiction to decide cases involving patent law counterclaims, in part because conflicts between Federal Circuit and regional circuit precedent "may be useful in identifying questions that merit this Court's attention." *Id.* at 839 (Stevens, J. concurring).

Respondents' assertion that "no 'conflict' with respect to this case can exist" because the Federal Circuit did not publish its opinion (Resp. Br. at 2) is also erroneous. The legal standard applied by the Federal Circuit below avowedly "conflicts" with other circuit precedent. The Court is not being asked to review merely one specific unpublished decision, but an erroneous "test" of patentability that the Federal Circuit has engrafted onto 35 U.S.C. § 103(a) and applied in hundreds of cases since the mid-1980's. *See* KSR Pet. for Cert. at 3. In past cases of unpublished opinions applying existing circuit precedent, this Court has not balked at granting certiorari. *See* KSR Pet. for Cert. at 9 n.4, 27-28 (citing such cases). *See also Pace v. DiGuglielmo*, 125 S. Ct. 1807, 1811 (2005).

III. The History of Certiorari Petitions Raising This Issue Provides a Reason to Grant This Petition.

Respondents accurately note that the basic issue raised in KSR's petition has been the subject of six prior petitions in the last two decades, although none filed since 2001. *See* Resp. Br. at 20-22 & n.7. This history supports granting, not denying, certiorari.

It is axiomatic that "denials of certiorari have no precedential force." *Shaw v. Delta Air Lines*, 463 U.S. 85, 94 n. 11 (1983). This Court frequently denies certiorari to allow further "percolation" of a legal issue in the lower courts. *See* Samuel Estreicher and John E. Sexton, *A Managerial Theory Of The Supreme Court's Responsibilities: An Empirical Study*, 59 N.Y.U.L. Rev. 681, 698-99 (1984). One important benefit to this "percolation" approach is that, if an issue is truly important and deserving of the Court's attention, the issue will return. The Court can then see that the issue is not going away, and this makes the case for certiorari stronger – as here. Further percolation also allows time for this Court to observe the practical effects of the lower court precedents. Here, the recent studies on patent reform by the FTC and the National Academies, the academic works cited by KSR and the amici, and the amici themselves will ensure that this Court will have good information about the practical effect of the Federal Circuit's re-interpretation of § 103(a) since 1982.

Five of the six petitions cited by Respondents were filed in the early years of the Federal Circuit's existence. This Court then granted certiorari in very few patent cases (five cases in the first twelve years), and all of those cases involved issues peripheral to core patent policy (e.g., appellate procedure, jurisdiction, etc.). *See* John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 S. Ct. Rev. 273, 297 & n.85. Allowing further percolation of patent issues during the Federal Circuit's early years was sensible, for it gave the new court time to develop a body of circuit law whose merits could be assessed with the benefit of practical experience in actual cases like this one.

The most recent of the certiorari petitions cited by Respondents was filed in 2001. *Southern Cal. Edison Co. v. Ecolochem, Inc.*, 2001 WL 34124948 (filed March 13, 2001) (No. 00-1426). Much has changed since then. It was not until 2002 that the Federal Circuit acknowledged, in its *Allen Engineering* decision, that its earlier precedent had somehow "abrogated" the long-established "test of validity

of combination patents," *Sakraida*, 425 U.S. at 282 (quoting *Anderson's-Black*, 396 U.S. at 60), that other circuits had faithfully applied and that this Court had developed and consistently applied in numerous cases spanning more than a century. KSR Pet. for Cert. at 2 & n.2, 15 & n.5. The FTC and National Academies did not release their studies on patent law reform, criticizing the Federal Circuit's radical re-interpretation of § 103(a), until 2003 and 2004, respectively. *Id.* at 24-27.

The 2001 petition in *Southern Cal.* also lacked any support from amici. By contrast, the Petition here is supported by an extraordinarily diverse group of corporate amici who, "[a]s large industrial manufacturers, developers and users of technology, . . . are vitally interested in the U.S. patent system and the maintenance of traditional limits on what qualifies as a patentable invention" (Corporate Br. at 3); by twenty-four (24) law professors "who teach and write about intellectual property" (Law Prof. Br. at 1) ; and a non-profit entity whose members are "strong supporters of property rights in intellectual creations." PFF Br. at 2. This outpouring of amici demonstrates beyond doubt the importance of the question presented by the Petition.

Finally, granting certiorari based on KSR's Petition and the amicus briefs already filed would be consistent with this Court's practice in other patent cases. Although it sometimes calls for the views of the Solicitor General (CVSG) prior to acting on a petition, the Court has not made a CVSG a prerequisite to obtaining certiorari in patent cases. In the past decade, the Court has granted certiorari in only two patent cases after a CVSG, *Merck KGaA v. Integra LifeSciences I Ltd.*, 125 S. Ct. 2372 (2005) and *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124 (2001). One of those cases (*J.E.M.*) was granted over the SG's recommendation to deny.

The Court has been willing to grant certiorari without a CVSG, or against the SG's recommendation, in past patent cases having one or more of the following factors: a circuit split (*Pfaff*); multiple amici demonstrating the importance of

the issue (e.g., *Illinois Tool*; *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002)); a controversial issue of such fundamental importance to the patent system that this Court has developed a significant line of precedents on the issue (*J.E.M.*; *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997)); and statements by governmental agencies or officials calling into question the Federal Circuit's doctrine (*Illinois Tool*). All of those factors are present here.

IV. The Federal Circuit's Suggestion Test Conflicts With the Precedents of this Court.

Respondents spend six and half pages (Resp. Br. at 10-16) arguing that "the Federal Circuit's so-called 'teaching-suggestion-motivation' standard for obviousness is fully consistent with *Graham* and its progeny." *Id.* at 16. Respondents conspicuously fail, however, to cite so much as a single Federal Circuit decision that follows any of this Court's three most recent decisions construing and applying § 103(a), namely, *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57 (1969), *Dann v. Johnson*, 425 U.S. 219 (1976), and *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976). The reason is clear: As noted in one of the leading patent law casebooks (which is co-authored by a sitting Federal Circuit judge), the Federal Circuit has "essentially repudiated" these controlling Supreme Court precedents construing § 103(a). KSR Pet. for Cert. at 19 (quoting Martin J. Adelman, Randall R. Rader, John R. Thomas & Harold C. Wegner, *Cases and Materials on Patent Law* 345 (2d ed. 2003)).

CONCLUSION

A writ of certiorari should issue to review the judgment of the Federal Circuit in this case.

Respectfully submitted,

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